

Kansas City, Missouri

2003



Session 18

Direct Loan Update



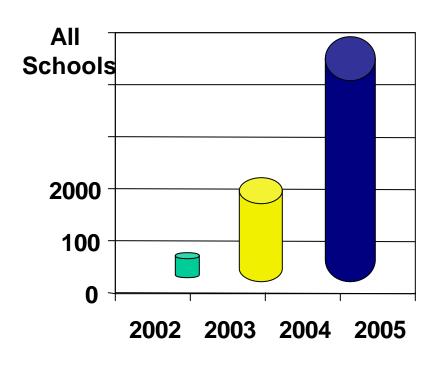
Direct Loan Processing Overview

- ALL SCHOOLS Direct Loan origination and disbursement data is processed by COD beginning with award year 2002-2003
- Your school's "participant" status is determined by the method you use to transmit your data to COD:
 - Full Participants
 - Schools that submit data using the COD Common Record Layout in XML format
 - Phase-In Participants
 - Schools that submit data using Pell Grant/Direct Loan Record Layouts in fixed-length, flat file format
- ALL SCHOOLS must become full participants by award year 2004-2005



COD Full Participant Schools

- 22 Full-Participant Reporting Schools in AY 02/03
- EDExpress Users and additional Vendor Software and Custom Software schools become Full-Participant Schools AY 03/04
- ALL SCHOOLS will be Full-Participants by AY 04/05





How do I become a COD Full Participant?

- Schools must register with COD to become a Full Participant in Award Year 2003-2004
- To register, refer to the Full Participant Request Letter instructions on IFAP

OR

- Contact COD School Relations
 - Email CODSupport@acs-inc.com
 - Phone 800/848-0978
- All EDExpress Users must register as Full Participants for 2003-2004



2002-2003 Direct Loan Record Processing Update

Year-To-Date as of Feb. 18, 2003

PROGRAM	SCHOOLS	RECEIVED COUNT	ACCEPTED COUNT	REJECTED COUNT	DUPLICATE COUNT	CORRECTED COUNT	TOTAL	RECORDS REC'D NOT YET PROCESSED
DL PLUS	889	849,246	713,868	134,298	0	0	848,166	1,080
DL SUB	1,163	5,399,028	5,188,017	210,138	0	0	5,398,155	873
DL UNSUB	1,127	3,841,135	3,690,931	148,222	0	0	3,839,153	1,982
TOTALS		10,089,409	9,592,816	492,658	0	0	10,085,474	12,066

PROGRAM	# of ORIGINATIONS (Commitments)	\$ of ORIGINATIONS (Commitments)	TOTAL # of ACTUAL DISBURSEMENTS	TOTAL \$ of ACTUAL DISBURSEMENTS
DL PLUS	211,233	\$1,580,371,177.44	331,252	\$1,251,269,721.00
DL SUB	1,577,985	\$5,443,136,049.00	2,352,284	\$4,390,196,528.00
DL UNSUB	1,127,799	\$6,272,531,894.98	1,640,364	\$3,428,748,545.00
TOTALS	2,917,017	\$13,296,039,121.42	4,323,900	\$9,070,214,794.00



Program Year Closeout (PYCO) Update

- Program Year 2001-02
 - Officially closed on December 31, 2002
 - Schools with outstanding balances have been referred to Case Management and Oversight (CMO) Division



PYCO Update Continued

- Support and Assistance Provided
 - Monthly and Bi-Monthly 732 LOS Reports
 - Remainders via emails and DL Bulletins
 - Zero Balance Verification Letters
 - Program Year Close Out Letters
 - Assistance from Regional Account Managers



PYCO Update Continued

- Final Program Review Determination Process (FPRD)
 - Phases to the FPRD process:
 - Phase 1 Offsite review of balances by Case Management and Oversight (CMO)
 - Phase 2 FPRD letters is sent to the President of the school
 - Phase 3 Receivable is established with the Dept Of Education's Finance Office
 - Phase 4 Schools have 45 days to return an appeal from the date of the FPRD letter



PYCO Update Continued

- Phases of the FPRD process continued:
 - Phase 5 Schools that appealed within the 45 days will have their issues researched and processed by the LOC
 - Phase 6 Schools that do not appeal within the 45 days will be billed for the ending cash balance plus interest by the Finance Department
 - Phase 7 Unresolved issues being worked on by the LOC beyond the 45 days will be sent to the Office of Hearings and Appeals (OHA) for final settlement



Quality Assurance

- Direct Loan schools are required to have a Quality Assurance plan in place
- Although the Department does not have a reporting requirement for the QA plan, the school's plan could be reviewed during an audit
- Refer to DLB 02-14 for more information about tools that can be used to meet this requirement
- FSA is looking to create better tools for QA via DL Tools software. Please contact David.Hebrank@ed.gov if you have any suggestions



Electronic MPN



Direct Loans MASTER PROMISSORY NOTE

ENTRANCE COUNSELING FAQS SITE ASSISTANCE

CONTACT US

About the MPN

What You Need

> What to Expect

Complete New MPN

Retrieve MPN



PRIVACY POLICY

ADDITIONAL RESOURCES



This web site is for completing a Direct Loan Program electronic Master Promissory Note (MPN). If you do not want to complete the MPN electronically, you may complete it using the paper process. If you would like to complete a paper MPN, please contact your school's financial aid office.

You will be required to use your U.S. Department of Education issued PIN to complete an electronic MPN. For additional information or to ask general PIN questions, you can visit the official PIN site or access the PIN customer service web page.

Complete New MPN



Electronic MPN Statistics

- Number of schools participating
 - - 408
- Total number of electronic p-notes
 - From July 1, 2001 to February 7,2003
 - -243,166



2003 - 2004 Direct Loan Timeline

- COD System Start Up for 2003 2004 is scheduled for April 7, 2003
- DLOS data archive and system retirement is scheduled for Fall 2003



- Modifications to the eMPN Site
 - Borrowers will not need to view the signed copy in Adobe Acrobat
 - The URL will remain the same for both the PLUS and Sub/Unsub versions
 - The PLUS MPN process will follow the Subsidized/Unsubsidized steps
 - There will be a link for borrowers to determine if they need to complete a PLUS or Sub/Unsub note
 - Only the parent will need to sign the PLUS MPN



- EDExpress users will become Full Participants in 2003-2004
 - EDExpress Software will be modified to import and export XML to the COD System
 - For combo systems, external import and exports will continue to be in current fixed length formats
 - All reports will continue to be produced and imported in current formats not XML
- All EDExpress users must register with COD Customer Service as 2003-2004 Full Participants



- Full Participant status by program
 - During the 2003-2004 award year, schools have the option to choose to process as a Full Participant in one program (e.g. Direct Loan) and process as a Phase-In Participant in the other program (e.g. Pell Grant)
 - School must indicate which program they intend to process as Full Participant when they signup with COD School Relations
 - During the signup process, Direct Loan schools will be asked to verify their reporting and attended school relationships as this information must be accurately set in COD in order for Common Records to process correctly



- Entrance Counseling moved to the Direct Loan Servicing Website in December 2002
 - New URL is www.dl.ed.gov
 - There is a redirect from the old URL to provide a seamless transition
 - By moving entrance counseling to DL Servicing, student borrowers are introduced to the DL Servicing website earlier in the process
 - Bilingual Entrance Counseling is available on DL Servicing website



- New MPN Expiration Date Rules
 - New rules based on the date MPN received by COD system for processing
 - New rules apply to MPN where first loan linked occurs after COD system start up for 03-04
 - Expiration dates are set 1 year (365 days) or 10 years (3650 days) from date received by COD



- Expanded Authority for Multi-Year Feature of MPN
 - Beginning in 2003-2004, the Department has expanded the authority for multi-year (MY) use of the MPN in the Direct Loan and FFEL programs
 - All Direct Loan schools may allow their student borrowers (or parent borrowers) to receive loans for subsequent academic years based upon a previously signed MPN (even if that MPN was signed before the effective date of the expanded authority)
 - The expanded authority for MY use of the MPN is effective beginning with any Direct Loan for the 2003-2004 year (a loan with an Award ID that includes "04") that is processed after the COD system start up for 2003-2004



- Expanded Authority for MY Feature of MPN, continued...
 - Any Direct Loan school that is not a four-year college or graduate or professional school that would like to use the MY feature of the MPN beginning with the COD system start up for 2003-2004 must inform COD School Relations Center by March 14, 2003
 - Any Direct Loan school that is not a four-year college or graduate or professional school and that does not inform the Department by March 14, 2003 that it would like to use the MY feature of the MPN will be identified in the COD System at start up for the 2003-2004 as using the Single-Year (SY) feature
 - New schools to the Direct Loan program that are eligible for the MY feature under the expanded authority for multi-year use of the MPN will be defaulted to use the MY feature in the COD system
 - See the Dear Colleague Letter GEN-02-10 (November 2002) for more information



- New Sub/Unsub MPN
 - Beginning with COD system start up for 2003-2004 processing, COD will print the new Sub/Unsub MPN (and Borrower's Rights and Responsibilities) for all award years
 - Schools may print either the new Sub/Unsub MPN or the old Sub/Unsub MPN for prior award years
 - Schools must print the new Sub/Unsub MPN for 2003-2004 award year



- New PLUS MPN
 - Starting with award year 2003-2004 and forward,
 PLUS loans use a PLUS Master Promissory Note
 - Parents borrowing for more than one student must complete a separate MPN for each student
 - Student signature is NOT required for a PLUS MPN
 - New PLUS Borrower's Rights and Responsibilities
 - PLUS Disclosure Statements or Plain Language Disclosure Statements are required



- Single-Loan PLUS MPN
 - COD does not link PLUS loans to MPN without an approved credit decision, approved credit override, or approved endorser addendum
 - If PLUS loan has an accepted endorser addendum, PLUS MPN becomes a single-loan MPN
 - PLUS loan with endorser requires an MPN with no other loans previously linked to it
 - Once a PLUS loan with an endorser is linked to an MPN, the MPN becomes a single-loan MPN and no other loans can link to it
 - School software that prints MPN must have the ability to print an MPN even if ISIR indicated PLUS MPN = A for the case of a PLUS loan with an approved endorser addendum



- Responsibility for printing Disclosure Statements for Full Participants
 - Added valid value 'S' to the <DisclosureStatementPrintCode> tag to indicate that a school printed and provided a disclosure statement to the borrower
 - The school is responsible for printing disclosure statement if anticipated disbursement data is not sent at least 5 days in advance of the first disbursement (Warning Edit 110)
 - If actual disbursement data is sent by school within five days of, or after, the disbursement date and the school does not indicate the disclosure has been printed, COD will print the disclosure and send a warning to the school (Warning Edit 111)



- Record Layout Changes
 - Removed Award Amount Requested tag/Loan Amount Requested field
 - For Full Participants, Award Amount Requested tag will no longer be returned on MPN responses
 - For Phase-In Participants, the Loan Amount Requested field is modified to filler for the Loan Origination Record, the Loan Origination Acknowledgment and MPN Acknowledgment
 - Added Endorser Amount tag/Endorser Amount field
 - For PLUS loans, the amount the endorser has agreed to "guarantee"; sum of actual disbursements cannot exceed this amount (FP Edit 113/ PI Edit DLD 25)
 - Returned to schools on the Credit Decision Override Response/Acknowledgement



- Record Layout Changes
 - Modified Promissory Note Print Code tag/ Promissory Note Print Indicator field valid values
 - For Full Participants, on Common Record:
 - Added 'V' = COD reprints and sends to school
 - Added 'O' = School prints onsite and sends
 - For Phase-In Participants, on Full Loan Origination Record and Change Transmit #S083
 - Added 'V' = COD reprints and sends to school
 - Added 'Z' = COD reprints and sends to borrower
 - Removed 'O' = Onsite (EDExpress)



- Record Layout Changes
 - Modified Disclosure Statement Print Code tag/ Disclosure
 Statement Print Indicator field valid values
 - For Full Participants, on Common Record:
 - Added 'S' = School prints and sends to borrower
 - For Phase-In Participants, on Full Loan Origination Record and Change Transmit #S115
 - Added 'Z' = COD reprints



- Record Layout Changes
 - Added MPN ID and MPN Status to the Credit Decision Override Acknowledgement/ Response
 - Modified MPN ID tag/MPN ID field valid values
 - For Full Participants, on Common Record
 - Added 'N' = PLUS
 - For Phase-In Participants, on MPN Acknowledgement
 - Added 'N' = PLUS
 - For Phase-In Participants, on Credit Decision Override Acknowledgement
 - Added 'N' = PLUS
 - Added 'Can be Blank'
 - Modified MPN Status field valid values
 - For Phase-In Participants, on Credit Decision Override Acknowledgement
 - Added 'A Accepted MPN on File at COD'



- Record Layout Changes
 - Added Previous Sequence Number tag
 - Returned in all Common Record disbursement response complex elements, including COD system-generated "ND", "PS", and "WB" responses
 - Indicates the previous accepted Disbursement Sequence Number on the COD System for this Disbursement Number
 - Added Total Financial Award Accepted tag
 - Returned in the Common Record response document
 - Indicates the total dollar award amount accepted in this document



- Record Layout Changes
 - Added Total Funded Disbursement Accepted tag
 - Returned in the Common Record response document
 - Indicates the total net disbursement amount accepted in this document, with disbursement release indicator = true
 - Added Total NonFunded Disbursement Accepted tag
 - Returned in the Common Record response document
 - Indicates the total net disbursement amount accepted in this document, with disbursement release indicator = false



- New Common Record XML Schema
 - Common Record and Schema revised based on work with PESC to meet EBXML standards
 - Abbreviations eliminated from all tag names
 - Some tag names changed all together
 - Full Participants are required to use the new schema for all 03-04 awards
 - Full Participants may either continue to use the old schema for 02-03 awards or may switch and use the new schema for both 02-03 and 03-04 awards
 - Namespace attribute added to root element to indicate version of schema being used; if blank, COD assumes schema 1.0g



2003-2004 COD School Testing

- School Testing Phases:
 - Common Record Manual Verification: February 2003
 - Structured Application Testing: March 2003 July 2003
- Schools must sign-up in advance to participate in school testing
- School Testing Guide, Test Cases, and Sign Up Sheet available in Volume 7 of the 0304 COD Technical Reference on IFAP and FSAdownload



Who Should Participate in School Testing?

- Software Vendors modifying software to support the XML Common Record are encouraged to test with COD
- Full Participant Schools that use their own software product are encouraged to test with COD
- The EDExpress product is tested extensively with COD prior to being released to schools; therefore, EDExpress Users do NOT need to test with COD
- Since most software vendors test with COD on their school's behalf; schools utilizing a software vendor's product do NOT need to test with COD
 - Schools are encouraged to talk to their vendor about test plans and testing results



2002 - 2003 School Testing Lessons Learned

- Plan to participate in manual verification testing prior to participating in additional testing phases
- Have a good understanding of SAIG On-Line Screen Manager in order to see that files were sent and received correctly
- Allow at least 2 weeks of setup time from sign-up prior to starting testing
- Plan and allow time for issue identification, error resolution and retesting with COD
- Be careful to send test files to the correct mailbox and with the correct testing message classes
- 2003-2004 School Testing participants will have access to an electronic bulletin board to share more lessons learned!



What's Going on in Servicing?

- Lot's of Volume
- Web Site Enhancements Continue
- A Great Late Stage Delinquency Initiative
- Servicing into our future



Lot's 'O Volume

In only 8 years we have:

- 48,366,925 Direct Loans disbursed to date
- 6 million "active" borrowers
- 100.8 million payments collected to date
- Payments valued at \$28.7 billion to date
- 554,449 borrowers actively using EDA
- 29,160 borrowers signed up for electronic bill presentment
- 676,469 on-line web payments processed

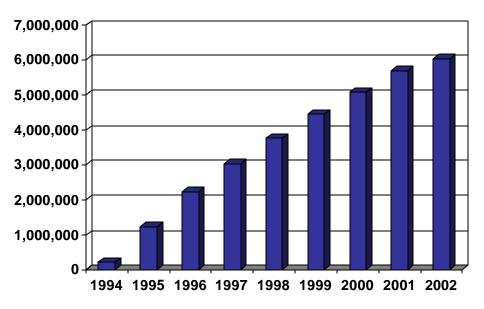




Borrower Profile

Borrowers = Students + Parents

Total Direct Loan Borrowers



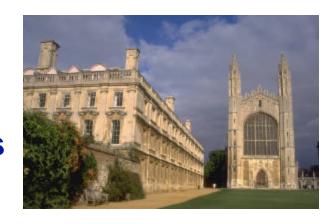
6 Million Active Borrowers

Status	Population		
In School	1,697,025		
In Grace	179,470		
In Repayment	3,197,623		
In Deferment	674,593		
In Forbearance	282,346		

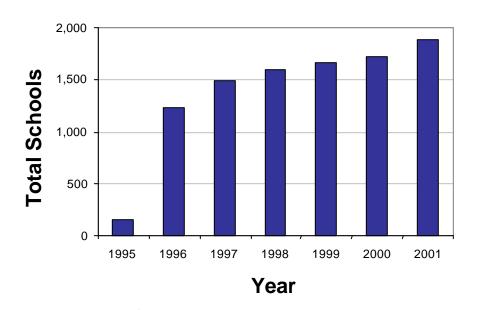


School Profile

*1216 Active Direct Loan Schools



Total Direct Loan Schools



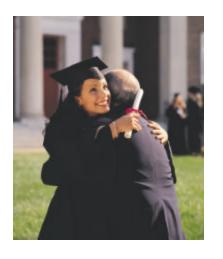
•	Include	s main	and	sub	campuses	
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Category	Population	
Public	330	
Private	256	
Proprietary	630	

20% of Direct Loan Schools Account for 80% of our Portfolio



Direct Loan Servicing Web site



Borrower www.dl.ed.gov

School www.dl.ed.gov/schools





Borrower Services Online





School Services Online

<u>DL Servicing</u> Resources

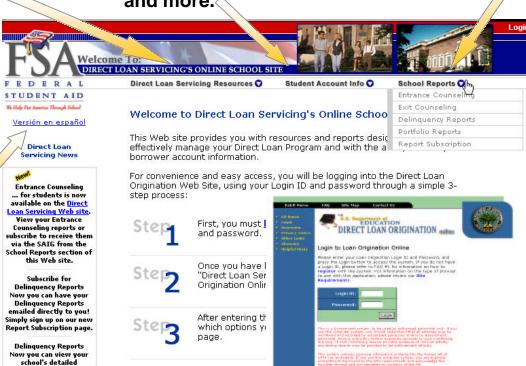
Spanish

Version

Web Site Help General Information Contact Us

Account Lookup

View live account data for students including, balances, account status, separation date, and more.



Reporting Tools

Entrance Counseling Reports

Exit Counseling Reports Delinquency Reports

Detail, Summary and Borrower History

Portfolio Reports

Borrower Separation
Borrowers by Repayment Plan
Borrowers by Payment Method
My Portfolio

Email Subscription

Direct

Receive email notifications when reports available online



Late Stage Delinquency Initiative

You can help your student borrowers...

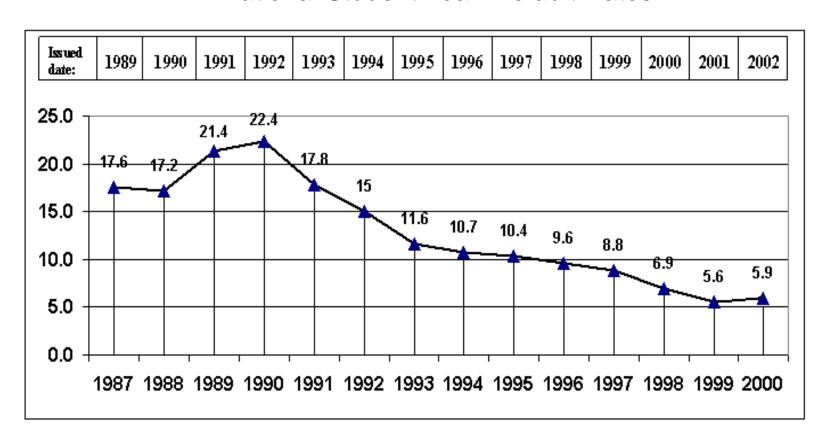
You can help your school/campus...

You can help the DL program...



Cohort Default Rate

National Student Loan Default Rates

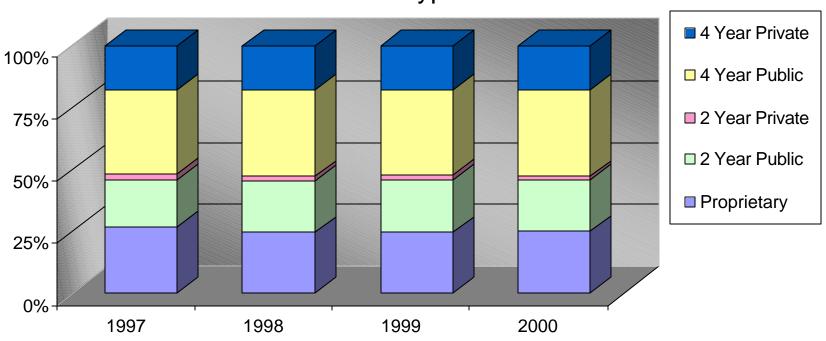


http://www.ed.gov/offices/OSFAP/default management/default rates. html



Default Statistics (DL)

Cohort Default Contribution by School Type



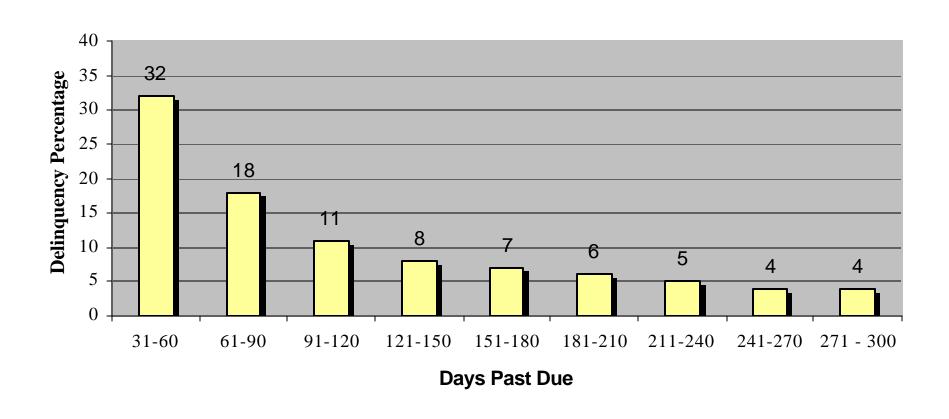


Characteristics of Default Population (DL)

- 76% have withdrawn from school and did not complete their studies
- 85% do not get the advantage of "aging through" their full
 6 month grace as the result of late enrollment notification
- 40% have bad telephone numbers
- 57% have been unable to contact the borrower by telephone during the 12 months of collection effort (call screening, cell phones, etc.)



Borrower Delinquency Trend





Late Stage Delinquency

- A Web-based, school-focused process for DL Schools (using your existing Loan Origination PIN and Web site
- Requires no agreements, new staff, new hardware or software
- Focuses on the very late stages of delinquency (210 days) that have a direct effect on your current CDR
- For all DL schools, big or small, high CDR or Low
- Schools can locate some of these borrowers and offer to help
- Rescuing one borrower at a time so they avoid default
- Schools are able to reach many borrowers and save over 50% of the borrowers with whom they communicate
- Quick, easy and inexpensive way to reduce delinquency, default rate and the number of dollars your institution sends into default each year



Servicing Into Our Future

- Common Services for Borrowers (CSB)
 - Involves DL Servicing, Debt Collections and DL Consolidation
 - Goal is to leverage "common" data and functions across these related systems
- Currently Conducting Market Research
 - Looking at industry leaders
 - Learn from these firms to improve CSB
- Future Events
 - Request for Proposals (RFP)
 - Evaluation of proposals and award of contract
 - Transition to new solution



Incorrect Current Funding Level (CFL) Increases and Decreases

Issue

 Since January 27, 2003, schools may see incorrect CFLs in COD for Direct Loan and Pell or an excess obligation/unprocessed obligation amount in GAPS

Resolution

- COD is in the process of correcting the CFLs for schools and will notify schools when this is complete.
- As always, schools should only draw funds to meet their immediate needs



"Blank" MPN Status on Rejected Records

<u>Issue</u>

 Phase-in schools may receive an MPN status of "blank" on subsidized and unsubsidized origination acknowledgements when the loan record is rejected. When schools import these rejected records into their system, the MPN status may show as "skipped." Schools are unable to resubmit the record with any corrections.

Resolution

- COD is in the process of sending the corrected origination acknowledgements to the affected schools. The status of the record on the corrected acknowledgement will still be rejected; however, the MPN status will be updated to remove the skipped status when the school imports them.
- COD is currently analyzing a long term solution to prevent this from happening.



Incorrect Award Amounts in DLSS and NSLDS

<u>Issue</u>

In some cases, disbursement adjustments are not being reported correctly to the DLSS, resulting in DLSS having a different value for a loan than the balance shown in COD. This occurs when a school makes multiple disbursement adjustments in COD, COD accepts the adjustments, but only one of the adjustments is passed on to DLSS. As a result, this balance is also incorrect in NSLDS.

Resolution

 COD is currently testing a solution to prevent this from happening in the future and is examining the clean up for the affected records.
 COD will notify schools when this is complete



COD Edit 039 Incorrect Award Amount

<u>Issue</u>

Schools may receive COD edit 039 incorrectly. This edit is being returned incorrectly when a graduate/professional student qualifies for additional subsidized/unsubsidized loan amounts and a school attempts to submit a second actual disbursement.

Resolution

 COD is currently researching this issue and will notify schools when a solution is identified.



Timing of Disbursements

Issue

 When an origination and a disbursement are sent to COD on the same batch or within a short period of each other, COD rejects the disbursement

Resolution

- COD rejects the disbursement because it processes the disbursement before the origination. The workaround is for schools to send disbursement records after the origination records are acknowledged
- COD is currently analyzing a long term solution to prevent this from happening



Where can I get more information?

- IFAP Web Site (www.IFAP.ed.gov)
 - Common Origination and Disbursement page
 - Announcements, FAQs, COD Technical Reference
- COD Web Site (www.cod.ed.gov)
 - Daily Processing Updates
 - School Funding and Processing Information
- 2003-2004 EDExpress Direct Loan Processing Training
 - 1 day workshops offered at Regional Training Facilities and select school locations from May 2003 to July 2003
 - Register online http://www.ed.gov/offices/OSFAP/sfau
- Contact COD School Relations



How do I obtain access to the COD Web Site?

- Submit a Security Administrator Request Letter on school or corporate letterhead
 - Security Administrator is responsible for setting up additional users at your institution
 - Reporting/Attending school relationships in COD will automatically allow access to other school codes
- Refer to announcements on IFAP for detailed instructions and mailing address
 - 6/3/02 Updated: COD Website Access for Schools
 - 6/3/02 COD Website Access for Vendors/3rd Party Servicers



How do I contact COD Customer Service?

- Email CODSupport@acs-inc.com
- Call COD School Relations Center
 - 1-800-4-P-GRANT for Pell Grants
 - 1-800-848-0978 for Direct Loans
 - Enter Award Year 2002-2003
- COD Web Site (www.cod.ed.gov)



COD Sessions

- Session 18 Direct Loan Update
- Session 34 COD and Direct Loan: Balancing the Books
- COD School Relations Center staff are available in the PC Lab



Ouestons



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